

Message Text

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ORIGIN ARA-20

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R 192329Z APR 74

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA

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E.O. 11652: N/A

TAGS: MASS, BR, US

SUBJECT: SALE OF RESIDUAL RIGHTS TO MAP MATERIEL

1. WE BELIEVE IT WOULD BE ADVANTAGEOUS TO BOTH U.S. AND GOB IF LATTER PURCHASED RESIDUAL RIGHTS TO MATERIEL FURNISHED AS GRANT AID UNDER MAP. USG WOULD BE FREED OF RESPONSIBILITY FOR CONTINUED END SE SUPERVISION AND WOULD OF COURSE OBTAIN AT LEAST MODEST REIMBURSEMENT FOR MATERIEL. A GAO REPORT ON BRAZIL HAS EXAMINED THE MAP PROGRAM AND ALSO CONCLUDES THAT THE SALE OF RESIDUAL RIGHTS WOULD BE ADVANTAGE- APPROXIMATELY SEVEN CENTS ON THE DOLLAR OF ACQUISITION VALUE. END FYI. GOB WOULD BE RELIEVED FROM BURDEN OF END-USE SUPERVISION AND REPORTING; WOULD BE FREE TO MODIFY OR CANNIBALIZE END-ITEMS;AND WOULD HAVE NO OBLIGATION TO RETURN MATERIEL TO U.S. WHEN NO LONGER NEEDED. WHEN FOREIGN

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GOVERNMENTS SUBSEQUENTLY DISPOSED OF MATERIEL, IT WOULD

RETAIN PROCEEDS.

2. ANY SUCH ARRANGEMENT FOR SALE OF RESIDUAL RIGHTS WOULD REQUIRE AGREEMENT WITH GOB MOST LIKELY THROUGH EXCHANGE OF NOTES. APART FROM DETAILS OF RESIDUAL RIGHTS SALE, AGREEMENT WOULD MAKE CLEAR REMAINING OBLIGATIONS OF GOB, SUCH AS NOT TO TRANSFER MATERIEL TO THIRD COUNTRY OR TO PRIVATE

FIRM OR INDIVIDUAL WITHOUT PRIOR APPROVAL OF USG. WE WOULD SEEK TO OBTAIN AS WELL RIGHT OF FIRST REFUSAL FOR USG WITH RESPECT TO ANY SUCH MATERIEL FOREIGN GOVERNMENT WISHES SUBSEQUENTLY TO DISPOSE OF.

3. IN ORDER TO DETERMINE WHETHER TO PROCEED TO SEEK CIRCULAR 175 NEGOTIATING AUTHORITY FOR SUCH AN AGREEMENT WITH GOB WE REQUEST EMBASSY ASSESSMENT AS TO ATTRACTIVENESS OF PROPOSAL TO BRAZILIANS. AT YOUR DISCRETION, YOU MAY WISH TO SOUND OUT APPROPRIATE GOB OFFICIALS ON INFORMAL RPT INFORMAL BASIS. IN EVENT SUBJECT ARISES, OUR RECORDS SHOW ACQUISITION VALUE OF MAP MATERIEL DELIVERED TO BRAZIL AS TOTALLING 179.1 MILLION DOLLARS. IF BRAZILIANS APPEAR RECEPTIVE, WE WOULD REQUEST EMBASSY OPINION AS TO ADVISABILITY OF SENDING SMALL GROUP TO BRAZIL TO SURVEY EQUIPMENT AND SITUATION. RUSH

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